



Joint Committee on Taxation
May 15, 2001
JCX-43-01

MODIFICATIONS TO THE CHAIRMAN'S MARK FOR THE "RESTORING EARNINGS TO LIFT INDIVIDUALS AND EMPOWER FAMILIES ACT OF 2001"

The following modifications to the Chairman's mark for the "Restoring Earnings to Lift Individuals and Empower Families Act of 2001" would be made:

A. Modifications to Provisions in the Chairman's Mark

1. Education incentives

The Chairman's mark would be clarified by providing that a taxpayer could not claim a deduction for higher education expenses if a HOPE or Lifetime Learning credit is claimed in the same year with respect to the same student. In addition, the Chairman's mark would be clarified by providing that the deduction may be claimed in the same year as the exclusion for distributions from a Coverdell education savings account or qualified tuition plan or the exclusion for interest on education savings bonds, as long as the deduction and exclusion are not claimed with respect to the same expenses.

2. Estate, gift, and generation-skipping transfer tax provisions

The Chairman's mark would be modified to provide that, after 2010, a transfer to trust would be a taxable gift unless all of the income of the trust would be taxed to the donor or the donor's spouse.

3. Pension and individual retirement arrangement provisions

Eliminate IRS user fees for certain determination letter requests regarding employer plans

The Chairman's mark would be modified to provide that determination letter requests for which user fees would not be required under the proposal would not be taken into account in determining average user fees.

Equitable treatment for contributions of employees to defined contribution plans

The Chairman's mark would be modified to provide that the proposal to repeal the exclusion allowance applicable to contributions to tax-sheltered annuities and subject such

annuities to the limits applicable to tax-qualified plans would be effective for plan years beginning after December 31, 2010.

Preservation of pension plans

The Chairman's mark would be modified by the deletion of the proposal to disregard benefits under a qualifying retirement plan for the purpose of determining eligibility to receive, or the amount of, any assistance or benefit under any program that requires consideration of the financial circumstances of an individual or household.

B. Additional Provisions

The following provisions would be included:

1. Modification to corporate estimated tax requirements

Present Law

In general, corporations are required to make quarterly estimated tax payments of their income tax liability (section 6655). For a corporation whose taxable year is a calendar year, these estimated tax payments must be made by April 15, June 15, September 15, and December 15.

Description of Proposal

With respect to corporate estimated tax payments due on September 15, 2001, 30 percent would be required to be paid by September 17, 2001,¹ and 70 percent would be required to be paid by October 1, 2001. With respect to corporate estimated tax payments due on September 15, 2004, 80 percent would be required to be paid by September 15, 2004, and 20 percent would be required to be paid by October 1, 2004.

Effective Date

The provision would be effective on the date of enactment.

¹ September 15, 2001 is a Saturday. Under the present-law rules, payments required to be made on a Saturday must be made no later than the next banking day.

2. Transfer to Social Security and Medicare Trust Funds

Present Law

Under present law, the Federal income tax collected with respect to a portion of Social Security benefits included in gross income is transferred either to the Social Security trust fund or the Medicare trust fund.

Description of Proposal

The amounts transferred to the Social Security and Medicare trust funds would be determined as if the other provisions in the proposal were not enacted. Thus, there would be no reduction in transfers to these funds as a result of these provisions.

Effective Date

The provision would be effective on the date of enactment.